



## TEL EPISODE #006:

### ***Lean Customer Development* with Cindy Alvarez**

Show Notes: <http://www.theelpodcast.com/tel-006-lean-customer-development-cindy-alvarez/>

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**WADE:** Thank you for joining us today on The EL. Today we have Cindy Alvarez, author of *Lean Customer Development*. Welcome, Cindy, and thank you for joining us on The Entrepreneurs Library.

**CINDY:** Hi, it's great to be here.

**WADE:** Will you take just a moment to introduce yourself and tell us just a little bit about you personally?

**CINDY:** Sure. My name is Cindy Alvarez, and I have been working at startups of various sizes for the past 15 years. A couple years ago, the startup I was at was acquired by Microsoft, so now I've also got some experience working within an extremely large company. In working with those companies of all sizes, I really saw that people were struggling to talk to their customers, and I kept having the same conversations and finally figured that I should write a book about it.

And so I've written the book *Lean Customer Development* to give companies of all sizes a practical guide to get people talking to customers and challenging their ideas. Not just assuming that things will work, but actually saying "What if it doesn't? And let's try and figure that out as early as possible."

**WADE:** Okay, great. Thank you for sharing that. Now let's jump right into your book, *Lean Customer Development*, which was just made available for purchase on June 8th of 2014. Cindy, we're going to move quickly, but here are some of the top questions our listeners would love to get answered.

That first one is what was the inspiration behind writing *Lean Customer Development*?

**CINDY:** Eric Ries wrote *The Lean Startup* back in 2009, and now it feels like everyone has read it. Pretty universally, companies know that they should be forming hypotheses and validating them, that we shouldn't just go out there and build it with that sort of "If we build it, they will come" mentality.

But what I've seen is that companies are trying to do that validation with a really outdated toolbox. Companies used to use analyst reports and focus groups and customer beta programs, usability testing, and those used to work in a world where software was released on 3-year, 5-year, 10-year cycles. But they're just too slow and rigid for people to use today.

So we've got companies who want to talk to their customers, who want to challenge their ideas, but they're just not really sure how. And I wanted to make sure that they had a guide so that they could read the book, and upon putting it down, or even halfway through, say "Okay, I feel comfortable. I can do this. I can go out and do this tomorrow."

**WADE:** Very good. You covered it a little bit, this next question, but what makes your book different from others regarding the same topic?

**CINDY:** There's a metaphor I like to use, which is that there's a study showing that if you show chess grandmasters an old chessboard and have them recreate it from memory, they can do it much, much better than the average person. And it's not because they have superhuman memories; it's because if you're an experienced chess player, you see those patterns, and the patterns makes sense to you. So it's easy to say "This is defense and this is offense" and recreate it. And normal people just see a whole blur of chess pieces.

And that is the experience that I was seeing with people when they were going out and trying to talk to customers. They said, "I've got a bunch of steps to follow, but I don't know what to happen when there's something different." People were

hearing “You should do this,” and what they really needed is “Here’s how you do it and why it works.”

So I realized that people need to have that level of understanding as to “Here’s what you’re doing and here’s why it works,” and that’s what really allows people to improvise and adapt and think on their feet, and that’s what allows companies to practice customer development and really get that learning – no matter what industry they’re in, no matter what size they are, no matter what kind of product they plan on selling.

**WADE:** Okay. Now that we know the purpose of the book, let’s take a deep dive into the content. Give us a deep dive – again, you can go chapter by chapter or section by section, but really give the future reader an idea of what the book’s all about.

**CINDY:** Sure thing. The structure of the book, I should mention, because I found this fairly interesting, is it started out down one path, and the more I started talking to people in larger companies, I realized that there’s a lot more process that people need to go through.

So the very first chapter is called “Why You Need Customer Development,” and that’s basically set to arm people with the facts they need to overcome the initial resistance that they might get from their organization. Because customer development, because it feels relatively new and because it emphasizes a certain humility in assuming you don’t know everything, it can also feel like a challenge to an established organization. Someone might say “Hey, we know the medical field. We’ve been in this industry for 20 years. We don’t need this.”

And the truth is, everyone does. The world changes. Technology changes. Your customers change. But it’s pretty intimidating to stand back and say “Maybe we don’t know that much.” So we really start off with someone who’s going to come into their organization – and it can be anyone – but they’re going to hear certain objections, and that really arms them to say “Here’s why we should do this anyways.”

The next thing that people usually say once they say “Okay, I feel like we have a green light. I feel like I can do this” – either with blessing or do it and ask forgiveness later – is just “Where do I start?” And I think the most common way for people to think about creating a new product or a new company or even a new feature within an existing product is that we come up with an idea first. And in our minds, that idea seems great, so what we want to do is go out and validate it, and basically just prove that the thing we already believe is true.

That’s not really the greatest idea, because if we’re wrong, we’re just going to look for confirming evidence and ignore everything that contradicts us and tells us this might be a terrible idea. So where we need to start is actually with identifying the assumptions we have. Not saying “This is the product we’re going to build,” but standing back and saying “I think this is true about our customers. I think our customers have this problem. I think this kind of person has this problem. I think this is the environment in which someone would use something.” And just writing those all down, that sheer act of writing it down can be tremendously useful later as you keep learning and you realize, “Hey, all the stuff we thought was right, a lot of it wasn’t.” So that’s that first step, is writing those assumptions down.

And forming that hypothesis. All of the lean startup practices borrow a lot from the scientific method. If you think something’s going to happen, you need to actually state that. “I believe that this kind of person has this kind of problem.” A hypothesis is not “I think women are going to buy this product, fully formed.” That’s very hard to test. In fact, the only way to test that is to invest in building out the whole product and marketing it and putting it in stores. At that point, if you fail, it’s tremendously expensive. What you want to do is write a hypothesis that’s very simple, that’s very easy to test and prove or disprove.

And the last getting started thing is really what I’d call mapping your target customer profile, and that’s saying “I think my customer looks like this, acts like this, believes like this.” And these are exercises that you can do either as a single person who thinks this customer development is a great thing to embark upon. You can do it if you’re a startup founder. Maybe you haven’t even found a co-founder yet. You can do these exercises on your own. It’s also something you can bring into a team, and in my current role at Yammer, which is a Microsoft

company, we do these exercises within the User Research Team and Product Design Teams; sometimes the entire Product Organization will do these as a whole. So that's really getting you started. And I feel like once people have those exercises in hand, they have a sense of "Okay, now I've got something that I can prove or disprove."

The next thing that people say when they have this in the "What next?" category is "Who should I be talking to and how do I find them?" When people say "How do I find customers before I even have a product?", I like to say how were you planning on finding them after you had a product? It's very similar. If you had already built something, you would look for places to advertise; you would look for other companies to partner with; you would look for complementary services. You would look for people that you think would use this product and try and get them to test it out.

You're going to do those exact same things with customer development, even though you don't have a product yet. So I really describe how you're going to think about those target customers, how you're going to find them – whether that's in the online world or offline – and probably the biggest question people have is, "How do I get them to talk to me?" Because I think what people tend to think about is spammers and telemarketers, and you think of someone saying, "Hey, do you want to buy this product?" The first thing you want to do is hang up, slam the door in their face.

That's not actually what happens in customer development, and that's a little bit hard to believe, but it's true. When you find people who have a problem that they want solved, they will talk to you. Once you've got those people and you've made an outreach to them and you're getting them to respond, the next thing that people really want to know is, "What should I be learning? What should I be asking these people?" I think there's an assumption that it's very important to have a detailed list of questions that are very specific to you and your company, and that's actually also not true.

The best questions tend to be narrative, they tend to be very open-ended, and what you're really looking for is not specifically the answer to a question, but you

want to know about people's existing behaviors. You want to know about the things that are frustrating them right now. You want to know the constraints that they have, whether it's a product for consumers or within an enterprise. There's things like "If I buy this, my spouse will be angry at me for spending money" or things like "I can't get this PO approved unless this VP thinks it's a good idea." So getting all of that information can end up being a validation or invalidation of a lot of those assumptions.

So the things you're doing are really trying to identify the risks you have in your ideas and figure out how to figure out if those are real risks or things that you don't need to worry about.

All of that is kind of the building up; that's the preparation. I think that what comes next is really the heart of it, which is the actual interview. People can feel very confident about "Here's what I want to prove, here's what I want to learn, here's who I'm going to talk to," all of this is great. But then they freeze up at the actual interview. And I understand this completely, because even as a person who does this all the time, I still have to do a little bit of mental prep.

But the next section is really a play-by-play of a successful customer interview, and it talks about a lot of great tips for you to get prepared, for you to start off the conversation correctly, for you to make it really clear that this is about your target customer talking. It's not a sales pitch; it's not you telling people what they should do. It's really very much "Tell me about the way your world works today."

And there's a lot of subtleties of language that you can use to really give people that permission. Because in general, people's default is to be polite and to try and figure out what you want and give it to you. That's not what you need in customer development. You want to know what these people do when you're not looking. There's a lot of tricks to unlocking that, and we go through that a lot in this interview chapter. That's Chapter 5.

After the interviews, the next thing, of course, is "What do I do with this?" When I've talked to startups, a lot of times they say "I did a bunch of interviews. I've got 10 interviews, I've got a ton of notes. It was really interesting, but now I don't

know how to make decisions based off of it.” So I go through and I talk a lot about how to interpret what people are saying, how to group together the things that people are saying, how to look for patterns.

It’s amazing to me that patterns really do emerge very quickly. Within 5 to 10 interviews, you’re going to see very clearly that you’re onto something, keep going, or no, people just don’t have this problem, or they have this problem and they don’t care enough to spend money to solve it. And those are really interesting things for you to know.

At this point in the book or in your process, you’ve invested a handful of hours, 5 hours to 10 hours. You might at this point be discovering that this product is a terrible idea. So now instead of wasting 3 months building it, instead of hiring a full-time engineer and the costs that incur, you might realize after 10 hours of work that this isn’t a great idea. Let’s look for an idea that is going to pay off.

At this point, the thing that people will say is that “This is great. I’ve talked to a bunch of people, but that’s just people talking, and there’s not a lot of validity to that.” As much as people might say that they have this problem, that they love this solution, there’s really only one way to know that people are going to buy a product, and that’s when they buy the product.

But that doesn’t mean you need to build it out entirely. There are a lot of strategies for building a minimum viable product, which is basically the smallest unit of a solution that you can build that allows you to learn and provide the little bit of value to your customers. And these don’t have to be fully built out; they don’t even have to be necessarily a product. In some cases it may be things like a preorder or you manually doing the work that would later be done by an automated product or algorithm.

So I walk through those kinds of minimum viable products and talk a little bit about which situations each one would work well in. So not only are you building something, but you’ve got the guidance to know what kind of thing might be the best thing for you to build. All of that is really applicable to any company, any size. These first seven chapters will work for anyone. But what I really discovered in

talking to people, again, at more established companies is that they have a special set of problems and constraints and fears. So the last part of the book is really about how to do this within larger enterprises, within conservative or regulated industries.

People in medicine or law or finance are particularly concerned that “Maybe this doesn’t work for us because there’s a lot of things that we need to do to be legally compliant.” You can work within that. There’s also industries that have long sales cycles, where that’s not going to change. Very complex engineering systems are going to have long sales cycles. If you’re selling B-52 bombers or engines, that’s not going to happen in a quick self-serve situation.

So the last part is really working on how does customer development work when you already have customers and you already have products? So I’ll talk about how you can set expectations appropriately, both within your organization and with your customers, how you can find the right customers that already exist to test out your ideas on – not all of them are going to be particularly great audiences for doing this.

It’s also going to talk a little bit about how we do this when we don’t have a lot of time set aside. Within some organizations, it can be very easy to do research upfront, and that dates back to the way we used to build products, which is we did analyst reports, we did market research; there was a ton of upfront research before people kicked off developing a product. So a lot of companies are used to allotting time upfront, and they never think about how to get that research into their process on an ongoing setup. So I really talk about how you fit customer development into your everyday routines and how you use the interactions that you already have with your customers to gain more insights.

I went into a lot of detail in Chapter 5 about how people do the customer development interview, but that’s not all that customer development is. A lot of times, it’s something as simple as having your people who are already talking to customers ask one more question, or people who are responding to support requests reframe a question and get a little bit more insight into it.



So with those tools, even if you don't have the time to do a full customer development cycle, you can still get this learning in – and you should be, in fact, iterating in this learning constantly. And what I've seen in the companies I've worked for is that once this becomes a habit, it becomes a natural part of their product development process. It's something that happens alongside building a product all the time. Much in the way that companies would say a product is never done, your customer base is never done either. Your customers are always evolving, and the opportunities that you're looking for are always evolving.

And then finally, there's an Appendix of Questions That Work, and these are just a lot of questions that I have used over the past 10 years in a bunch of different contexts. They're questions that I have used with startups, where they've reported back that they've gotten great results. So if you're wondering what questions you should be asking, it can be really helpful to just flip through that appendix as a reference, see something that's relevant to you, maybe tweak it a little bit to fit your specific organization or product or service, and start asking it to people.

So that's kind of the book in a nutshell. All of the chapters are very hands-on. There's a lot of guidance of what you do with this next, and my goal, as I said, is that by the time you've read this book – or hopefully even halfway through – you should be able to throw it down and run out and talk to a customer. That should be something that the reader feels comfortable doing.

**WADE:** Great. Cindy, that was a great summary, and it sounds like this book is full of extremely valuable content. With that being said, if the reader could only take away one concept, principle, or action item from the entire book, what would you want that to be?

**CINDY:** It would be – and I think most of my potential readers are familiar with this, because I've heard it a lot – there's a great Henry Ford quote, which I'm not sure he actually said, but a great alleged Henry Ford quote. He said, "If I'd asked my customers what they wanted, they would've said faster horses." And I'd say the one concept that people should take away from this book is that customers don't always know what they want, but they can't hide what they need.

So it's just a matter of asking those questions to figure out their problems. They might not be able to articulate them neatly; they certainly aren't experts at building products – that's our job. But if you talk to them and you ask them about what they're doing today, they can't hide the problems they have. It just comes out, and you can use that to make your product and business more of a success.

**WADE:** Great. This is one of my favorite questions that we ask here towards the end, and that's – it's an opportunity for you to kind of brag on yourself hopefully, a little bit. But do you have a favorite quote from your book, a quote that you came up with?

**CINDY:** If it's not that, about customers not being able to hide what they need, I think the other one would be if your customer tells you "maybe," write that down as "no." Doesn't matter what the question is, really. "Would you buy this?" "Maybe." No. "Would you use this?" "Maybe." No. "Is this interesting?" "Maybe." No. Because people are polite, and most people will not tell you "no" if they're thinking "no." Even if they think "maybe," it probably means "no."

So in general, you're not trying to be optimistic here; you're actually going into your product ideas as pessimistic as possible, and the reason that is because you're trying to avoid failure. You're trying to save yourself from a long, expensive failure, and instead you're trying to limit that to short, quick failures that you can learn from and move on quickly.

**WADE:** Great. So besides your own book, is there another book that you would recommend to the readers out there that are looking for that next big paradigm shift? One that really helped you change?

**CINDY:** I don't know about a single book. I guess if I had to name one, it would probably be *Predictably Irrational* by Dan Ariely. There are a series of books that kind of go along those lines – *Freakonomics*, for example, the Chip and Dan Heath books, like *Switch* and *Made to Stick*.

But I think *Predictably Irrational* is a good starting point, which is just people are unpredictable and irrational, and they can't help it. But as people who are building products, we can use that to our advantage, and if we understand the kinds of biases that humans have and the ways in which humans are bad at predicting their own behaviors, we can work around that.

Taking people at their face value doesn't work. It's like if you ask how many people on January 2nd are on a diet and they're going to lose 10 pounds, it's going to be a huge percentage of people. You check back with them in May, and most of them are going to be stuck on the scale. Because no matter what we think, no matter what our great intentions are, we're bad at following through. We're bad at predicting what we're going to do. So if you can think about how humans are bad at predicting those things, you can really do a workaround.

**WADE:** Great. Cindy, thank you so much for coming on the show. Before we depart, can you give the reader, the listener, a great way to find more information about you and your book?

**CINDY:** Sure, [leancustomerdevelopment.com](http://leancustomerdevelopment.com) is the website that just has some more resources around the book. It also has links to where you can buy the book, of course. The other thing you can do is follow me on Twitter @cindyalvarez. And I tweet a lot about customer development, user experience, human psychology, and all of that sort of thing.

**WADE:** Great. Thanks again for coming on.

**CINDY:** Thank you.

**WADE:** Thanks again for listening in today. If you would like to get your hands on *Lean Customer Development* or any of the other resources mentioned by Cindy Alvarez, just look at the show notes at [TheELPodcast.com](http://TheELPodcast.com).

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**LINKS AND RESOURCES MENTIONED IN THIS EPISODE:**

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